

**REPORT OF THE AUDIT OF THE  
LYON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**

*Romaine &  
Associates, PLLC*

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LYON COUNTY FISCAL COURT**

**June 30, 2009**

Romaine & Associates, PLLC has completed the audit of the Lyon County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

#### **Financial Condition:**

The county had total net assets of \$7,469,336 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,779,016 in its governmental activities as of June 30, 2009, with total net assets of \$5,453,545. In its business-type activities, total net cash and cash equivalents were \$402,458 with total net assets of \$2,015,791. Total debt principal as of June 30, 2009, was \$4,794,596 with \$385,992 due within the next year.

#### **Deposits:**

The County's deposits were insured and collateralized by bank securities or bonds during fiscal year 2009.

## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
LYON COUNTY OFFICIALS .....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	5
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	7
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	16
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	18
STATEMENT OF REVENUE, EXPENSES, CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	20
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	22
NOTES TO FINANCIAL STATEMENTS .....	24
BUDGETARY COMPARISON SCHEDULES .....	39
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	42
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	44
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	46
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	47

### APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



Krista Romaine, CPA, Member

Charlotte Clark, Member

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable James Campbell, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lyon County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lyon County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Lyon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lyon County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable James Campbell, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2009, on our consideration of Lyon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Romaine & Associates, PLLC". The signature is written in dark ink and is positioned above the printed name of the signatory.

Krista Romaine, CPA  
Romaine & Associates, PLLC

November 24, 2009

LYON COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

James Campbell	County Judge/Executive
Steve Cruce	Magistrate
Buddy Nichols	Magistrate
Charles Ferguson	Magistrate

**Other Elected Officials:**

Rodger B Knoth	County Attorney
Hank O'Bryan	Jailer
Sarah Defew	County Clerk
Rebecca Howard	Circuit Court Clerk
Kent Murphy	Sheriff
Christie Freeman	Property Valuation Administrator
Ronnie Patton	Coroner

**Appointed Personnel:**

Denise Sutton	County Treasurer
JoAnne Dean	Finance Officer

**LYON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

**LYON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	<b>Totals</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,779,016	\$ 402,458	\$ 3,181,474
Asset Held For Resale	103,480		103,480
Notes Receivable Due Within One Year	7,000		7,000
Total Current Assets	<u>2,889,496</u>	<u>402,458</u>	<u>3,291,954</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	46,000		46,000
Capital Assets - Net of Accumulated Depreciation			
Land	232,750		232,750
Land Improvements	465,602		465,602
Buildings	929,428	5,133,333	6,062,761
Vehicles	129,735		129,735
Equipment	543,475		543,475
Infrastructure Assets - Net of Depreciation	<u>1,491,655</u>		<u>1,491,655</u>
Total Noncurrent Assets	<u>3,838,645</u>	<u>5,133,333</u>	<u>8,971,978</u>
Total Assets	<u>6,728,141</u>	<u>5,535,791</u>	<u>12,263,932</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable		225,000	225,000
Financing Obligations Payable	160,992		160,992
Total Current Liabilities	<u>160,992</u>	<u>225,000</u>	<u>385,992</u>
Noncurrent Liabilities:			
Bonds Payable		3,295,000	3,295,000
Financing Obligations Payable	1,113,604		1,113,604
Total Noncurrent Liabilities	<u>1,113,604</u>	<u>3,295,000</u>	<u>4,408,604</u>
Total Liabilities	<u>1,274,596</u>	<u>3,520,000</u>	<u>4,794,596</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,674,529	1,613,333	4,287,862
Restricted For:			
Debt Service		402,458	402,458
Unrestricted	2,779,016		2,779,016
Total Net Assets	<u>\$ 5,453,545</u>	<u>\$ 2,015,791</u>	<u>\$ 7,469,336</u>

The accompanying notes are an integral part of the financial statements.



**LYON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LYON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,561,421	\$ 10,190	\$ 143,940	\$ 27,000
Protection to Persons and Property	516,874	9,155	219,669	63,776
General Health and Sanitation	130,725	50,624	17,457	
Social Services	96,310			
Recreation and Culture	61,655			
Roads	758,191		940,673	
Interest on Long-term Debt	17,763			
Total Governmental Activities	3,142,939	69,969	1,321,739	90,776
Business-type Activities:				
Public Properties Corporation	313,460	412,070		
Total Business-type Activities	313,460	412,070		
Total Primary Government	\$ 3,456,399	\$ 482,039	\$ 1,321,739	\$ 90,776

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Tax Payments

Intergovernmental

Excess Fees

Miscellaneous Revenues

Gain on Sale of Capital Assets

Interest Earned

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,380,291)	\$	\$ (1,380,291)
(224,274)		(224,274)
(62,644)		(62,644)
(96,310)		(96,310)
(61,655)		(61,655)
182,482		182,482
(17,763)		(17,763)
(1,660,455)		(1,660,455)
	98,610	98,610
	98,610	98,610
\$ (1,660,455)	\$ 98,610	\$ (1,561,845)
\$ 538,378	\$	\$ 538,378
72,507		72,507
107,040		107,040
69,188		69,188
648,178		648,178
51		51
573,003		573,003
66,807		66,807
3,031		3,031
54,397	3,346	57,743
2,132,580	3,346	2,135,926
472,125	101,956	574,081
4,981,420	1,913,835	6,895,255
\$ 5,453,545	\$ 2,015,791	\$ 7,469,336

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**LYON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>HB 577 Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,950,643	\$ 179,679	\$ 557,851
Total Assets	<u>\$ 1,950,643</u>	<u>\$ 179,679</u>	<u>\$ 557,851</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Reserved for:			
Encumbrances	\$ 2,410	\$ 653	\$
Unreserved:			
General Fund	1,948,233		
Special Revenue Funds		179,026	557,851
Total Fund Balances	<u>\$ 1,950,643</u>	<u>\$ 179,679</u>	<u>\$ 557,851</u>

**Reconciliation of the Balance Sheet-Governmental Funds to the  
Statement of Net Assets**

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Asset Held For Resale

Notes Receivable is not a current Financial resource and therefore, is not  
Reported in the Funds

Long-term debt is not due and payable in the current period and, therefore, is not  
reported in the funds.

Due Within One Year - Financing Obligation Principal Payments

Due In More Than One Year - Financing Obligation Principal Payments

Net Assets Of Governmental Activities

**LYON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 90,843</u>	<u>\$ 2,779,016</u>
<u>\$ 90,843</u>	<u>\$ 2,779,016</u>

\$	\$ 3,063
----	----------

	1,948,233
<u>90,843</u>	<u>827,720</u>
<u>\$ 90,843</u>	<u>\$ 2,779,016</u>

\$ 2,779,016
--------------

5,329,754
(1,537,109)
103,480

53,000
--------

(160,992)
<u>(1,113,604)</u>

<u>\$ 5,453,545</u>
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The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LYON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>HB 577 Fund</b>
<b>REVENUES</b>			
Taxes	\$ 752,114	\$	\$
In Lieu Tax Payments	564,294	83,884	
Licenses and Permits	10,190		
Intergovernmental	886,655	831,867	54,903
Charges for Services	50,624		
Miscellaneous	58,312	33,439	
Interest	35,289	4,057	12,697
Total Revenues	<u>2,357,478</u>	<u>953,247</u>	<u>67,600</u>
<b>EXPENDITURES</b>			
General Government	945,946		30,784
Protection to Persons and Property	341,646		
General Health and Sanitation	170,322		
Social Services	88,713		
Recreation and Culture	52,231		
Roads		882,757	
Debt Service	59,078	3,752	
Administration	408,507	175,098	
Total Expenditures	<u>2,066,443</u>	<u>1,061,607</u>	<u>30,784</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>291,035</u>	<u>(108,360)</u>	<u>36,816</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Disposal of Capital Assets		7,451	
Borrowed Money		103,480	
Transfers To Other Funds	(87,989)	(1,730)	
Transfers From Other Funds	1,730	5,989	
Total Other Financing Sources (Uses)	<u>(86,259)</u>	<u>115,190</u>	
Net Change in Fund Balances	204,776	6,830	36,816
Fund Balances - Beginning (Restated)	1,745,867	172,849	521,035
Fund Balances - Ending	<u>\$ 1,950,643</u>	<u>\$ 179,679</u>	<u>\$ 557,851</u>

The accompanying notes are an integral part of the financial statements.



**LYON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 35,000	\$ 787,114
	648,178
	10,190
195,378	1,968,803
5,149	55,773
1,825	93,576
2,356	54,399
<u>239,708</u>	<u>3,618,033</u>
	976,730
209,704	551,350
	170,322
97	88,810
	52,231
227,502	1,110,259
	62,830
35,016	618,621
<u>472,319</u>	<u>3,631,153</u>
<u>(232,611)</u>	<u>(13,120)</u>
	7,451
	103,480
	(89,719)
82,000	89,719
<u>82,000</u>	<u>110,931</u>
(150,611)	97,811
241,454	2,681,205
<u>\$ 90,843</u>	<u>\$ 2,779,016</u>

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LYON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**Reconciliation Of The Statement Of Revenues, Expenditures, And Changes  
In Fund Balances Of Governmental Funds To The Statement Of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 97,811
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	671,313
Depreciation Expense	(331,646)
Assets disposed of, net book value	(4,420)
Notes Receivable Principal Received	(6,000)
Assets Held For Resale	103,480
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.	
Financing Obligation Proceeds	(103,480)
Financing Obligations principal payments are expensed in the Governmental Funds as a use of current financial resources.	
Financing Obligation-Principal Payments	45,067
Change in Net Assets of Governmental Activities	<u>\$ 472,125</u>

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH**  
**BASIS**

**June 30, 2009**

**LYON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH**  
**BASIS**

**June 30, 2009**

	<b>Enterprise Fund</b>
	<b>Public Properties Corporation</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 402,458
Total Current Assets	<u>402,458</u>
Noncurrent Assets:	
Capital Assets:	
Building	6,060,000
Less Accumulated Depreciation	<u>(926,667)</u>
Total Noncurrent Assets	<u>5,133,333</u>
Total Assets	<u>5,535,791</u>
<b>Liabilities</b>	
Current Liabilities:	
Bonds Payable	225,000
Total Current Liabilities	<u>225,000</u>
Noncurrent Liabilities:	
Bonds Payable	3,295,000
Total Noncurrent Liabilities	<u>3,295,000</u>
Total Liabilities	<u>3,520,000</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,613,333
Restricted	
Debt Service	402,458
Total Net Assets	<u>\$ 2,015,791</u>

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**LYON COUNTY**  
**STATEMENT OF REVENUE, EXPENSES, CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<u><b>Enterprise Fund</b></u>
	<u><b>Public Properties Corporation</b></u>
<b>Operating Revenues</b>	
Rent Receipts	\$ 412,070
Total Operating Revenues	<u>412,070</u>
<b>Operating Expenses</b>	
Depreciation	<u>92,667</u>
Total Operating Expenses	<u>92,667</u>
Operating Income	<u>319,403</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	3,346
Interest Payments	(218,883)
Miscellaneous	<u>(1,910)</u>
Total Nonoperating Revenues (Expenses)	<u>(217,447)</u>
Change In Net Assets	101,956
Total Net Assets - Beginning	<u>1,913,835</u>
Total Net Assets - Ending	<u><u>\$ 2,015,791</u></u>

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**LYON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<u><b>Enterprise Fund</b></u>
	<u><b>Public Properties Corporation</b></u>
<b>Cash Flows From Operating Activities</b>	
Rent Receipts	\$ 412,070
Net Cash Provided By Operating Activities	<u>412,070</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Bond Principal	(215,000)
Bond Interest	(174,713)
Financing Obligations Interest	(44,170)
Miscellaneous Payments	<u>(1,910)</u>
Net Cash (Used) By Capital and Related Financing Activities	<u>(435,793)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>3,346</u>
Net Cash Provided By Investing Activities	<u>3,346</u>
Net (Decrease) in Cash and Cash Equivalents	(20,377)
Cash and Cash Equivalents - July 1, 2008	422,835
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 402,458</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ 319,403
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>92,667</u>
Net Cash Provided By Operating Activities	<u><u>\$ 412,070</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	24
NOTE 2.	DEPOSITS .....	30
NOTE 3.	CAPITAL ASSETS.....	31
NOTE 4.	LONG-TERM DEBT .....	32
NOTE 5.	NOTE RECEIVABLE.....	35
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM.....	36
NOTE 7.	DEFERRED COMPENSATION .....	36
NOTE 8.	INSURANCE.....	36
NOTE 9.	PRIOR-PERIOD ADJUSTMENT-PRIMARY GOVERNMENT.....	37
NOTE 10.	ASSETS HELD FOR RESALE.....	37

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Lyon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the county is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Lyon County Public Properties Corporation

The Lyon County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Lyon County's financial statements. All activities of the Public Properties Corporation are accounted for within a business-type fund.

Additional Lyon County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Lyon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, accounts receivable and deferred revenue are not reflected in the financial statements.

The primary government reports the following major governmental funds:

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

HB 577 - The primary purpose of this fund is to account for additional fees and court costs assessed in circuit and district courts. The expenditures are restricted for courthouse debt service and administration expenses.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Emergency 911 Fund, Jail Fund, and Poor Farm Fund, which are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is rental income. Operating expenses for the enterprise fund include depreciation. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

The Lyon County Public Properties Corporation (PPC) Fund - is a blended component unit of the county. The Public Properties Corporation issues debt to build major facilities or additions. The Lyon County Public Properties Corporation has entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. The Governor's Office for Local Development does not require the county to report or budget these funds.

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets added in the current year (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	10-50
Infrastructure	20,000	2-40

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.



**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**I. Jointly Governed Organizations**

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based upon these criteria, the following are considered jointly governed organizations of the Lyon County Fiscal Court: Lyon County-Eddyville-Kuttawa Joint Tourism Commission, Lyon County Planning and Zoning Commission, Joint Lyon County Park Board and Pennyryle Westpark Industrial Development Authority.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government:	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 232,750	\$	\$	\$ 232,750
Total Capital Assets Not Being Depreciated	232,750			232,750
Capital Assets, Being Depreciated:				
Land Improvements	529,853			529,853
Buildings	1,226,058	77,299		1,303,357
Vehicles	373,167		(5,400)	367,767
Equipment	728,231	124,292	(46,000)	806,523
Infrastructure	1,619,782	469,722		2,089,504
Total Capital Assets Being Depreciated	4,477,091	671,313	(51,400)	5,097,004
Less Accumulated Depreciation For:				
Land Improvements	(51,263)	(12,988)		(64,251)
Buildings	(348,432)	(25,497)		(373,929)
Vehicles	(219,464)	(23,468)	4,900	(238,032)
Equipment	(244,385)	(60,743)	42,080	(263,048)
Infrastructure	(388,899)	(208,950)		(597,849)
Total Accumulated Depreciation	(1,252,443)	(331,646)	46,980	(1,537,109)
Total Capital Assets, Being Depreciated, Net	3,224,648	339,667	(4,420)	3,559,895
Governmental Activities Capital Assets, Net	<u>\$ 3,457,398</u>	<u>\$ 339,667</u>	<u>\$ (4,420)</u>	<u>\$ 3,792,645</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Building	\$ 6,060,000	\$	\$	\$ 6,060,000
Total Capital Assets Being Depreciated	6,060,000			6,060,000
Less Accumulated Depreciation For:				
Building (Restated)	(834,000)	(92,667)		(926,667)
Total Accumulated Depreciation	(834,000)	(92,667)		(926,667)
Total Capital Assets, Being Depreciated, Net	5,226,000	(92,667)		5,133,333
Business-Type Activities Capital Assets, Net	\$ 5,226,000	\$ (92,667)	\$	\$ 5,133,333

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 42,076
Protection to Persons and Property	28,648
General Health and Sanitation	7,308
Social Services	7,500
Recreation and Culture	19,308
Roads, Including Infrastructure	<u>226,806</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 331,646</u>

**Business-Type Activities**

Public Properties Corporation	<u>\$ 92,667</u>
Total Depreciation Expense - Business Activities	<u>\$ 92,667</u>

**Note 4. Long-term Debt**

**A. Public Properties Corporation First Mortgage Revenue Bonds**

The Lyon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 1999 dated January 1, 1999 for \$5,180,000 to be used for the construction of an annex facility. Interest is payable semi-annually for 20 years and varies from 3.9 percent to 5.1 percent. The Lyon County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. As of June 30, 2009, Lyon County is in compliance with bond agreement. The principal balance as of June 30, 2009 was \$3,520,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2010	225,000	165,898
2011	235,000	156,447
2012	245,000	146,460
2013	255,000	135,925
2014	270,000	124,705
2017-2020	<u>2,290,000</u>	<u>460,535</u>
Totals	<u>\$ 3,520,000</u>	<u>\$ 1,189,970</u>

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Long-term Debt – (Continued)**

**B. Financing Obligation Agreement - Waterlines**

On December 16, 1991, Lyon County entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$130,000 for funding of waterlines for the Lyon County Water District. On May 7, 2001, Lyon County refinanced the financing obligation principal in the amount of \$98,000 interest is payable monthly at a rate of 4.45 percent for 15 years. As of June 30, 2009, Lyon County is in compliance with the terms of the financing obligation agreement. The principal balance as of June 30, 2009 was \$53,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2010	7,000	2,620
2011	7,000	2,254
2012	7,000	1,888
2013	8,000	1,500
2014	8,000	837
2015-2016	16,000	1,150
Totals	\$ 53,000	\$ 10,249

**C. Financing Obligation Agreement - Courthouse Project**

On February 12, 2008, Lyon County entered into a financing obligation agreement with the Kentucky Area Development District for refinancing of the courthouse project in the amount of \$900,000. The prior debt principal was retired in the amount of \$845,000. Interest is payable semi-annually at an average rate of 5.79 percent for 16 years. The debt service payments related to this project are being made by Administrative Office of the Courts. As of June 30, 2009, Lyon County is in compliance with the terms of the financing obligation agreement. These payments are being made by the Public Properties Corporation on behalf of the Fiscal Court. The principal balance as of June 30, 2009 was \$900,000. Future financing obligations principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2010	10,000	44,670
2011	10,000	44,270
2012	10,000	43,870
2013	10,000	43,470
2014	10,000	43,070
2014-2018	20,000	84,850
2019-2023	40,000	204,510
2024	790,000	62,000
Totals	\$ 900,000	\$ 570,710

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Financing Obligation Agreement - Park Renovation**

On June 8, 2004, Lyon County entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust for funding of construction at Lee S. Jones Park in the amount of \$400,000. Interest is payable monthly at a rate of 3.78 percent for 10 years. The principal balance as of June 30, 2009 was \$218,116. Future financing obligation principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2010	40,512	9,257
2011	42,011	7,387
2012	43,566	5,456
2013	45,178	3,449
2014	46,849	1,321
Totals	<u>\$ 218,116</u>	<u>\$ 26,870</u>

**E. Financing Obligation Agreement – 2007 Mack Truck**

On July 31, 2008, Lyon County entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust for funding of purchasing a Mack Truck for the Road Department in the amount of \$103,480. Interest is payable monthly at a rate of 3.943 percent for 18 months. The principal balance as of June 30, 2009 was \$103,480. Future financing obligation principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2010	<u>\$ 103,480</u>	<u>\$ 2,721</u>
Totals	<u>\$ 103,480</u>	<u>\$ 2,721</u>

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**F. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 1,216,183	\$ 103,480	\$ 45,067	\$ 1,274,596	\$ 160,992
Governmental Activities Long-term Liabilities	<u>\$ 1,216,183</u>	<u>\$ 103,480</u>	<u>\$ 45,067</u>	<u>\$ 1,274,596</u>	<u>\$ 160,992</u>
<u>Business-Type Activities:</u>					
Revenue Bonds	\$ 3,735,000	\$	\$ 215,000	\$ 3,520,000	\$ 225,000
Business-Type Activities Long-term Liabilities	<u>\$ 3,735,000</u>	<u>\$</u>	<u>\$ 215,000</u>	<u>\$ 3,520,000</u>	<u>\$ 225,000</u>

Interest on Long-term Debt on the Statement of Activities includes \$17,763 in interest on financing obligations. Interest on Long-term Debt on the Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Fund includes \$44,170 in interest on financing obligations and includes \$174,713 in interest on bond payments.

**Note 5. Note Receivable**

On May 7, 2001, Lyon County entered into a sublease agreement with the Lyon County Water District for the funding of waterlines. The County financed the waterlines through a lease agreement with KACOLT. The Water District then signed a sublease agreement with rental payments, due to the County, in the amount of the debt service requirements. Future receivables are as follows:

	Amount
Short-Term	\$ 7,000
Long-Term	<u>46,000</u>
Total Receivables	<u>\$ 53,000</u>

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Employee Retirement System**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

In fiscal year 2003/2004, Lyon County voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2009, Lyon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 9. Prior-Period Adjustment-Primary Government**

The General Fund Balance of \$1,745,867 has been adjusted to include prior year voided checks in the amount of \$1,371.

**Note 10. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2009 was as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2010	\$ 103,480	\$ 2,721
Totals	\$ 103,480	\$ 2,721



**LYON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**

**LYON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 589,000	\$ 589,000	\$ 752,114	\$ 163,114
In Lieu Tax Payments	380,000	433,246	564,294	131,048
Licenses and Permits	9,650	9,650	10,190	540
Intergovernmental Revenue	784,128	847,666	886,655	38,989
Charges for Services	44,500	44,500	50,624	6,124
Miscellaneous	5,000	5,000	58,312	53,312
Interest	40,000	40,000	35,289	(4,711)
Total Revenues	<u>1,852,278</u>	<u>1,969,062</u>	<u>2,357,478</u>	<u>388,416</u>
<b>EXPENDITURES</b>				
General Government	1,009,793	1,065,430	945,946	119,484
Protection to Persons and Property	33,010	351,846	341,646	10,200
General Health and Sanitation	174,377	190,905	170,322	20,583
Social Services	80,500	90,500	88,713	1,787
Recreation and Culture	94,448	107,988	52,231	55,757
Debt Service			59,078	(59,078)
Capital Projects	10,000	10,000		10,000
Administration	<u>1,515,695</u>	<u>1,763,805</u>	<u>408,507</u>	<u>1,355,298</u>
Total Expenditures	<u>2,917,823</u>	<u>3,580,474</u>	<u>2,066,443</u>	<u>1,514,031</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,065,545)</u>	<u>(1,611,412)</u>	<u>291,035</u>	<u>1,902,447</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Sale Proceeds			-	
Transfer To PPC			-	
Transfer from PPC			-	
Transfers To Other Funds	(134,455)	(134,455)	(87,989)	46,466
Transfers To Other Funds			1,730	1,730
Total Other Financing Sources (Uses)	<u>(134,455)</u>	<u>(134,455)</u>	<u>(86,259)</u>	<u>48,196</u>
Net Changes in Fund Balance	(1,200,000)	(1,745,867)	204,776	1,950,643
Fund Balance - Beginning (Restated)	<u>1,200,000</u>	<u>1,745,867</u>	<u>1,745,867</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,950,643</u>	<u>\$ 1,950,643</u>

**LYON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts,</b>	<b>Final Budget</b>
			<b>(Budgetary</b>	<b>Positive</b>
			<b>Basis)</b>	<b>(Negative)</b>
<b>REVENUES</b>				
In Lieu of Tax Payments	\$	\$	\$ 83,884	\$ 83,884
Intergovernmental Revenue	799,339	799,339	831,867	32,528
Miscellaneous	33,200	33,200	33,439	239
Interest	30,000	30,000	4,057	(25,943)
Total Revenues	862,539	862,539	953,247	90,708
<b>EXPENDITURES</b>				
Roads	829,509	863,147	882,757	(19,610)
Debt Service			3,752	(3,752)
Administration	233,030	199,392	175,098	24,294
Total Expenditures	1,062,539	1,062,539	1,061,607	932
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	(200,000)	(200,000)	(108,360)	91,640
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets			7,451	7,451
Borrowed Money			103,480	103,480
Transfers To Other Funds			(1,730)	(1,730)
Transfers From Other Funds			5,989	5,989
Total Other Financing Sources (Uses)			115,190	115,190
Net Changes in Fund Balance	(200,000)	(200,000)	6,830	206,830
Fund Balance - Beginning	200,000	200,000	172,849	(27,151)
Fund Balance - Ending	\$ 0	\$ 0	\$ 179,679	\$ 179,679

**LYON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>HB 577 Fund</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 54,903	\$ (10,097)
Interest	10,000	10,000	12,697	2,697
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>67,600</u>	<u>(7,400)</u>
<b>EXPENDITURES</b>				
General Government	<u>575,000</u>	<u>575,000</u>	<u>30,784</u>	<u>544,216</u>
Total Expenditures	<u>575,000</u>	<u>575,000</u>	<u>30,784</u>	<u>544,216</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>36,816</u>	<u>536,816</u>
Net Changes in Fund Balances	(500,000)	(500,000)	36,816	536,816
Fund Balances - Beginning	<u>500,000</u>	<u>500,000</u>	<u>521,035</u>	<u>21,035</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 557,851</u>	<u>\$ 557,851</u>

**LYON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**LYON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2009**

**LYON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Emergency 911 Fund</b>	<b>Poor Farm Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,743	\$ 35,210	\$ 12,175	\$ 41,715	\$ 90,843
Total Assets	<u>\$ 1,743</u>	<u>\$ 35,210</u>	<u>\$ 12,175</u>	<u>\$ 41,715</u>	<u>\$ 90,843</u>
<b>FUND BALANCES</b>					
Unreserved:					
Special Revenue Fund	\$ 1,743	\$ 35,210	\$ 12,175	\$ 41,715	\$ 90,843
Total Fund Balances	<u>\$ 1,743</u>	<u>\$ 35,210</u>	<u>\$ 12,175</u>	<u>\$ 41,715</u>	<u>\$ 90,843</u>

The accompanying notes are an integral part of the financial statements.

**LYON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH**  
**BASIS**

**Other Supplementary Information**

**For The Year Ended June 30, 2009**



**LYON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH**  
**BASIS**

**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Emergency 911 Fund</b>	<b>Poor Farm Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$	\$	\$ 35,000	\$	\$ 35,000
Intergovernmental	104,654	88,035	2,689		195,378
Charges for Services	5,149				5,149
Miscellaneous			1,825		1,825
Interest	11	1,118	319	908	2,356
Total Revenues	<u>109,814</u>	<u>89,153</u>	<u>39,833</u>	<u>908</u>	<u>239,708</u>
<b>EXPENDITURES</b>					
Protection to Persons and Property	155,856		53,848		209,704
Social Services				97	97
Roads		227,502			227,502
Administration	34,417		599		35,016
Total Expenditures	<u>190,273</u>	<u>227,502</u>	<u>54,447</u>	<u>97</u>	<u>472,319</u>
Excess(Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(80,459)</u>	<u>(138,349)</u>	<u>(14,614)</u>	<u>811</u>	<u>(232,611)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	<u>82,000</u>	<u></u>	<u></u>	<u></u>	<u>82,000</u>
Total Other Financing Sources (Uses)	<u>82,000</u>	<u></u>	<u></u>	<u></u>	<u>82,000</u>
Net Change in Fund Balances	1,541	(138,349)	(14,614)	811	(150,611)
Fund Balances - Beginning	202	173,559	26,789	40,904	241,454
Fund Balances - Ending	<u>\$ 1,743</u>	<u>\$ 35,210</u>	<u>\$ 12,175</u>	<u>\$ 41,715</u>	<u>\$ 90,843</u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**



Krista Romaine, CPA, Member

Charlotte Clark, Member

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable James Campbell, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lyon County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2009. Lyon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Romaine & Associates, PLLC". The signature is written in a cursive, flowing style.

Krista Romaine, CPA  
Romaine & Associates, PLLC

November 24, 2009

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**LYON COUNTY FISCAL COURT**


**For The Fiscal Year Ended  
June 30, 2009**

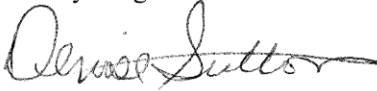
Appendix A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS  
LYON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Lyon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer